

330
B385
1699 COPY 2

STX

BEBR

FACULTY WORKING
PAPER NO. 90-1699

Exploring the Marketing/Entrepreneurship
Interface

David M. Gardner

The Library of the

DEC 13 1990

University of Illinois
of Urbana-Champaign



College of Commerce and Business Administration
Bureau of Economic and Business Research
University of Illinois Urbana-Champaign

BEBR

FACULTY WORKING PAPER NO. 90-1699

College of Commerce and Business Administration

University of Illinois at Urbana-Champaign

November 1990


Exploring the *Marketing/Entrepreneurship* Interface

David M. Gardner

Department of Business Administration
University of Illinois, Urbana-Champaign
1206 S. Sixth Street
Champaign, IL 61820

ABSTRACT

In the belief that the study of entrepreneurial behavior has the potential to significantly influence marketing thought and practice, this paper explores the interface between marketing and entrepreneurial behavior. The interface is defined as "that area where innovation is brought to market." Based on this understanding a paradigm is proposed to guide research at the interface between marketing thought and practice and entrepreneurial behavior.



Digitized by the Internet Archive
in 2011 with funding from
University of Illinois Urbana-Champaign

<http://www.archive.org/details/exploringmarketi1699gard>

INTRODUCTION AND RATIONALE

Marketing, as a discipline, has often been labeled, sometimes criticized, as interdisciplinary, borrowing here and there, continually searching for new inputs, all in an attempt to better understand and carry out the objectives of the marketing concept. In recent years, the discipline of marketing has been heavily influenced by the behavioral and quantitative sciences. As the discipline has and continues to absorb these influences, a question arises. The question, addressed by this paper, is there yet one more influence on marketing thought and practice, poised to challenge the accepted patterns--the accepted way of viewing and understanding things? This paper explores a likely candidate for the next interdisciplinary influence on marketing by examining the interface of entrepreneurial behavior and marketing.

Entrepreneurial behavior as used in this paper is in the context of Austrian economics. The definition used here is broad and goes well beyond the limited definition of "one who is in business for himself." Rather, the definition used here is attributed to Savitt (1987, p. 311) who argues that:

The entrepreneur works toward the disruption of any tendency toward equilibrium.

Entrepreneurial behavior is disruptive. It challenges accepted behavior patterns. It introduces, often volatile, change.

Entrepreneurial behavior is a potential candidate to significantly influence marketing thought and practice because it deals directly with a key concept in marketing: bringing innovation successfully to

market. While the basic concept of bringing innovation to market and the concept of diffusion of innovation is not unknown within the discipline of marketing, it is an area of thought and practice that is relatively undeveloped in comparison to managing products in mature markets. It is not important to argue whether entrepreneurial behavior is part of management science, behavioral science, strategic planning or policy, or not even a part of any science or body of thought or literature. What is important is to recognize that, for a variety of reasons, innovation, which is the central value of entrepreneurial behavior as well as a key concept in marketing, is increasingly important. It is important because innovation is disruptive, the product life cycle continues to shorten, more products are in the early stage of the product life cycle, and many successful products, for all practical purposes, do not make it into traditional maturity before being replaced with newer innovation. Furthermore, much of the thrust of innovation comes, not just from established, process orientated, new product (NPD) environments, but from entrepreneurs "outside the system," intrapreneurs, and entrepreneurial organizations. A careful review of existing literature combined with numerous interviews with entrepreneurs and intrapreneurs, clearly indicates that both the quantity and quality of accumulated knowledge about markets created by innovation and the marketing of innovation, as well as other entrepreneurial activity directly dependent on marketing, is relatively scarce and in comparison with other areas, deficient.

The scarcity and deficiency of accumulated knowledge cannot be attributed to a single cause. However, three causes may partially

explain the situation as it exists today. First, is the strong marketing discipline preoccupation with managing in mature markets. It should be clearly noted, of course, that most product/markets are mature. The largest revenue streams and profit lie in maturity. Consequently, most current marketing texts are at least implicitly primarily focused on issues centered in the environment of maturity and the strategies of market leaders and challengers. And similarly, much of the portfolio management literature, while recognizing the need for new products, offers virtually no perspective on innovation. Modern marketing management is often more "brand" orientated than "product" or innovation orientated. The focus on maturity, however, is not unique to either marketing managers or marketing academics--both are guilty. However, with the increasingly turbulent environment (Ansoff 1984) and the shorter product life cycle, this focus, of necessity, will have to change.

The second cause, however, is primarily due to a perspective underlying much academic thought and associated publications. If academics are to be a major force in understanding and developing concepts to drive both practice and theory, then the approach to science that underlies the academic approach to the discipline is critical. The logical positivism approach to science that is the major approach taken by the majority of marketing academics, is a mixed blessing. The rigor and logic demanded by this approach is essential in the move toward marketing theory. However, this same logic and rigor has the potential to seriously discourage the development of totally new ideas that are not already rooted in strong

logical positivism as were the social and quantitative sciences that have so heavily influenced marketing thought and practice. The net result is that, with particular reference to entrepreneurial behavior, as a discipline, marketing's concern with justification associated with theory development, has often resulted in a lack of openness to issues of discovery. Consequently, issues of market formation through innovation and the disruptive influences of innovation have received less attention than issues of maturity.

The third cause is the largely descriptive nature of the vast majority of entrepreneurial literature. With only a few notable exceptions, the entrepreneurial behavior literature is highly descriptive and often antidotal. It often is "business plan" and "case study" based. For all practical purposes, it does not have a theoretical base. Consequently, there is little basis for a "predictive" approach to the interface with marketing, or for that matter, any other business function.

Fortunately, however, there is a positive side. If, in fact, entrepreneurial behavior has the potential to influence marketing thought and practice, it is logical to assume that marketing may, conversely, influence the understanding of entrepreneurial behavior. One way to approach this potential interaction is in terms of the interface between these two streams of literature, thought and practice. The definition of interface¹ that guides the development of the issues discussed in this paper is:

¹Interface is defined as 1): "a plane or other surface forming a common boundary of two bodies or spaces, 2): the boundary between two phases in a heterogeneous physical-chemical system ..", Webster's Ninth New Collegiate Dictionary.

that area at which any two systems or disciplines share the same concepts, objectives and goal oriented behavior.

Examples of this definition are "consumer behavior" in which marketing and the behavioral sciences share a focus on the individual consumer in a purchase/consumption decision framework. "Marketing management" is another example.

In specific reference to the interface between marketing and entrepreneurial behavior their interface is defined as:

that area where innovation is brought to market.

From this definition, we propose a paradigm that allows us to examine the interface for the potential, mutual influence of entrepreneurial behavior on marketing and vice-versa.

ASSUMPTIONS AND DEFINITIONS

To explore this interface, certain assumptions are necessary to assure that the boundaries of the interface are as clearly demarcated as possible. None of what follows is intended to be a comprehensive review of the associated literatures. Rather, it seems appropriate to indicate very basic, and skeletal assumptions that are perceived as the core of these two areas.

Marketing

The marketing literature is vast and reasonably well developed. It is not the purpose of this paper to develop and argue for yet another definition of marketing. However, for the purposes of this paper, marketing is defined as:

The application of the technology of market assessment and positioning to achieve a sustainable competitive advantage.

Marketing thought and practice is premised on the "marketing concept" and is built on a largely standard set of assumptions and practices about the major variables of price, product, promotion and distribution. Marketing is highly contingent in its orientation which allows marketing to be applied in a wide variety of situations and environments. However, all marketing activities focus on the market and are organized around generally accepted:

1. concepts
2. tools
3. infrastructure

Examples of concepts would be segmentation, the product life cycle, the marketing concept, the 4 P's and matching. Tools unique to marketing fall into the categories of market and marketing research as well as special applications of behavioral and quantitative approaches. Channels of distribution and the knowledge of how they function would be the main example of infrastructure, but also advertising agencies and research houses are part of the infrastructure of marketing. Using concepts, tools and infrastructure, the objectives and goals of marketing are to enhance and understand the marketing concept with its emphasis on delivery of desired products and services to the consumer at a profit.

Entrepreneurial Behavior

Contrasted with marketing, the literature of entrepreneurial behavior is less well developed. The literature is rapidly developing, however, primarily in three broad areas: entrepreneurship,

intrapreneurship and entrepreneurial organizations. These terms do not have universal agreement, but generally tend to focus on, respectively, the independent entrepreneur, the intrapreneur in a structured organization and organizations that behave or desire to behave entrepreneurially, i.e., actively seeking change (Ansoff 1984, p. 180). The term entrepreneurial behavior is used in this paper as the broad term that includes entrepreneurship, intrapreneurship and entrepreneurial organizations.

In all categories of entrepreneurial behavior, however, there appear to be consistent and common elements all focused around bringing innovation to market successfully. Critical to the position taken in this paper is the view of Casson (1982, p. 23) who argues that an entrepreneur (intrapreneur and/or entrepreneurial organization) is:

someone who specializes in taking judgmental decisions about the coordination of scarce resources.

Casson argues, in support of this definition, that:

1. entrepreneurship appears as a personal quality which enables certain individuals to make decisions with far-reaching consequences (p. 11).
2. the entrepreneur has better--or at least more relevant--information than other people (p. 157).
3. the entrepreneur believes that he is right, while everyone else is wrong. Thus the essence of entrepreneurship is being different--being different because one has a different perception of the situation (p. 14).
4. the entrepreneur has often to create an institution to make markets between himself and other transactors (p. 17).

In other words, entrepreneurial behavior is a characteristic way of responding/behaving to situation that Naisbitt (1980, p. 183)

describes as the "confluence of both changing values and economic necessity."

Ansoff (1984) contrasts entrepreneurial behavior of the organization with the more typical incremental behavior of the organization. He argues (p. 180):

Rather than seek to preserve the past, the entrepreneurial organization strives for a continuing change in the status quo.

He also observes that many of these organizations (p. 181) to:

behave entrepreneurially continuously in a deliberate search for growth through change.

Invention versus Innovation

Also critical to this paper is the contrast between invention and innovation. Inventions are ideas that have little or no commercial value until someone finds an application and takes the idea to market. Burgelman and Sayles suggest, at least in the industrial context that (1986, p. 10):

Invention refers to a company's seeking technical perfection and allied new ways of production as ends in themselves. Innovation refers to a company's efforts in instituting new methods of production and/or bringing new products or services to market. The criteria of success are "technical" for invention, but "commercial" for innovation. The link between invention and innovation is the "entrepreneurial capability of an individual and/or organization.

Davis (1987, p. 1), in his insightful biographical review of various innovators, makes a similar distinction:

The inventor produces ideas; the innovator makes new things happen. Many talented people do both, but someone who is good at inventing is not necessarily good at turning his concept into a viable

commercial proposition. Many inventors are more interested in the idea as such, and in the challenge it represents, than in the business of making it into a marketable--and profitable--product or service, with all the difficulties and hazards which that involves.

In both instances, the authors clearly recognize the linkage between innovation and marketing as well as the close relationship between innovation and entrepreneurial behavior.

Given the centrality of innovation to the interface between marketing and entrepreneurial behavior, it is important to clarify what is meant by the term innovation. Successful innovation meets a market need. Innovation is the adding of appropriate attributes to an existing idea or invention such that the product and/or service is consistent with the needs and perceptions and uses of a viable customer segment. In other words:

innovation is successfully taking an idea or invention to market.

The key difference, is that to be labeled an innovation, the idea or invention must meet the test of market success.

There are at least three ways to classify innovation: type, level of technology and perceived behavioral response. For instance, Capon and Glazer (1987, p. 2) organize technology into three types or sources of know-how:

1. product technology
2. process technology
3. management technology.

Classifying innovation by the level of technology is represented by the classification of Ansoff (1984). His classification is based on the assumption that "technology can serve as a major and powerful

tool through which a firm can gain and maintain competitive preeminence (Ansoff 1984, p. 101)". Central to his understanding is the belief that technology plays a central role in creating turbulence in the environment in which organizations must function. The three points on a continuum defined by Ansoff (1984, pp. 102-104) are:

Stable long lived technology which remains basically unchanged for the duration of the demand life cycle.

Fertile technologies. The basic technology is long-lived, but products proliferate, offering progressively better performance, and broadening the field of application.

Turbulent technologies. In addition to product proliferation, one or more basic technology substitutions take place within the span of the demand life cycle.

One of the most useful and also, well researched constructs focusing on purchaser behavior is diffusion of innovation. This construct is of particular interest because of its focus on new products. Central to that large body of literature is the work of Roberston (1967, 1971). Based on a thorough analysis of the introduction of touch-tone telephones into Chicago in the 1960's, he found that innovation can be classified, not only by changes in technology, but by perceived changes in consumer behavior patterns. Robertson (1967) defined three types of innovations:

A Continuous Innovation involves an extension of existing products with little change in technology which require relatively minor change in consumer behavior patterns.

A Dynamically Continuous Innovation is a new product representing minor technological advances. Requires some moderate level of change in existing consumer behavior patterns.

A Discontinuous Innovation is a major technological advance involving the establishment of a new product and the acquisition of new consumer behavior patterns.

However, the literature of entrepreneurial behavior is only implicitly about innovation. Much of the literature seems to avoid a discussion of the peculiarities of taking innovation to market successfully. Maybe, the literature of entrepreneurial behavior is too influenced by the "small business" literature which often is specifically not dealing with innovation. Consequently, the focus of the literature of entrepreneurial behavior is two-fold: the behaviors that drive entrepreneurs and the necessity of organizational change to produce entrepreneurial organizations. Whether or not, discussions of taking innovation successfully to market are included, is problematical.

TOWARD A PROPOSED PARADIGM

One way of understanding the interface between marketing and entrepreneurial behavior is through the development of a paradigm. A paradigm is usually thought of as an example or representation of an idea or process. As a first step in the development of such a paradigm to increase our understanding, the diagram in Figure 1 shows that the interface is really where entrepreneurial behavior and the market intersect. For our purposes, the market is both the structure of the market as well as all elements of supply and demand. The remainder of this paper explores this intersection.

FIGURE 1

THE MARKETING/ENTREPRENEURSHIP INTERFACE

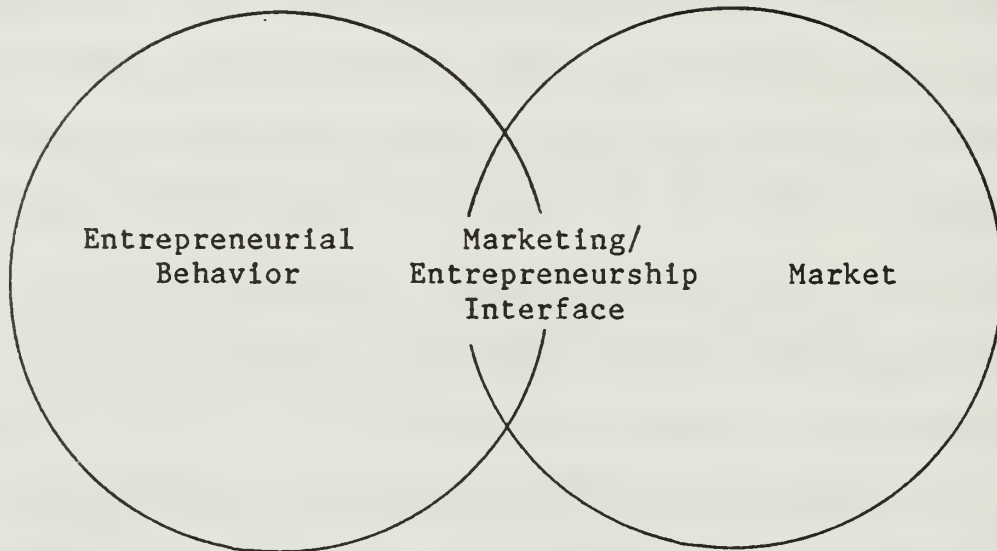


Figure 2 represents the sources of entrepreneurial behavior. The understanding of entrepreneurial behavior is complicated by the fact that it can occur either inside or outside the boundaries of a structured organization. And within the structured organization, it can occur primarily due to one person, i.e., the intrapreneur or it can occur because the organization itself has taken on many of the characteristics that encourage the members of the firm, and hence the firm itself, to behave entrepreneurially. However, it is contended here that entrepreneurial behavior has similar characteristics that are not dependent on the location of the entrepreneurial behavior. Entrepreneurial behavior is vision based. It is based on a vision of the particular innovation satisfying a market need in a more satisfactory or less costly manner than existing solutions. And behind this vision lies a strong action orientation and belief structure that

seemingly impels the individual and/or organization to work and build and to become single minded until success has been achieved.

FIGURE 2

SOURCES OF ENTREPRENEURIAL BEHAVIOR

- Individual Entrepreneur
- Intrapreneur
- Entrepreneurial Organizations

Unfortunately, the vision of the entrepreneur, the intrapreneur and even the entrepreneurial organization may often be limited and/or incorrect. Entrepreneurial behavior often results in common marketing mistakes:

- inadequate market assessment resulting in defining the market too narrowly or too broadly,
- failure to practice segmentation as the market grows,
- pricing which ignores competing technology and needs of the potential market,
- failure to understand purchasing requirements of the potential market,
- failure to understand distribution channel requirements,
- and countless other mistakes.

And, in addition, Peter Drucker (1985, pp. 191-92) adds, it is very common to find customers in markets that:

no one thought of, for uses no one envisioned when the product or service was designed, and that it will be bought by customers outside its field of vision and even unknown to the new venture.

The Market

The activities of entrepreneurial behavior are ultimately directed toward a market. While, as noted above, the market may not be fully understood, yet, it is indeed the market that determines the success or failure of entrepreneurial behavior. While it is not the purpose of this paper to fully explore the role of markets in determining the success or failure of entrepreneurial behavior, it is appropriate to suggest our understanding of markets. The concept of a "market" is elusive primarily because a market has many dimensions. At a minimum, it has geographical place, type of products, type and number of buyers, type and number of sellers, market rules and time as relevant dimensions.

If we accept the central role of the exchange relationship in marketing as argued by Bagozzi (1979), we can then safely assume that there must be some intersection where the behaviors of buyers and sellers, facilitated by some form of institutional framework, come together to consummate exchange. That intersection point is commonly understood to be a market.

The market is important for entrepreneurial behavior. It is important because competition for ideas, product adoption and sales momentum occurs in the context of a market. It is in the context of the market that exchange takes place and the results of that exchange is what determines the success or failure of entrepreneurial behavior. It is in the market where buyers determine how to allocate resources in a manner that allows resources to flow to some enterprises and not to others.

However, as suggested by Casson (1982, p. 158):

Markets work quite differently from the way neoclassical theory suggests. Transactors require a great deal of information in order to effect a trade. This information is very costly to the average transactors and somewhat less cost to the entrepreneur. The entrepreneur requires information not only about the contract of trade itself, but about the specification of the product and the personal characteristics of those with whom he trades. Even with this information he may have to provide additional services to his trading partners so that trade can proceed.

Information

From our perspective, it appears that the key and principle variable to understand the marketing/entrepreneurial interface is information. From Alderson (1965, Chapter 2), we believe that all markets are, at their most basic level, characterized by both product and information flows. For instance, Alderson (1965, p. 52) argues that markets are cleared by information. Borrowing heavily from the arguments of Casson (1982, p. 146) we join his observation that:

In the case of technological innovation, the entrepreneur needs to synthesize technical information on the new method of production with information about the scarcity of factors of production in order to assess whether the new technique, besides its technical virtues, will also reduce costs of production. In the case of product innovation, the entrepreneur needs to synthesize information about buyer's preferences for product quality with information about the production costs of the new design of good.

In addition, Casson (1982, p. 147) makes three points about the use of information by those engaged in entrepreneurial behavior:

1. The entrepreneur does not necessarily possess any single item of information that no one else does. His advantage lies in the fact that some items of information are complementary,

and that his combination of complementary items of information is different from everyone else's. This suggests that the key to successful entrepreneurship is not to have more specialized or detailed knowledge than anyone else, but simply to have right sort of coverage of information.

2. Another point to emphasize is the diversity of the information synthesized by the entrepreneur. Many different types of information have to be synthesized, including information on preferences, technology, factor supply, transport services, tariffs and any other forms of restriction upon the reallocation of resources. This diversity of information means that the entrepreneur must be a generalist, capable of assimilating information of many different kinds.
3. The successful entrepreneur is the one who is first to achieve the synthesis of information, and so no entrepreneur can afford to be slow in gaining access to new information. Imperfections in communication cause lags to information filtering through to secondary and tertiary sources. To maintain his information up to date, the entrepreneur needs to be in contact with primary sources wherever possible.

Without further elaboration, we believe that the key element in understanding the entrepreneurship/marketing interface is the role of information in entrepreneurial behavior. The manner in which information is treated is one of the most critical components in the determination of entrepreneurial success or failure. For instance, it is our view, that the misunderstanding or misuse of market information is the prime cause of entrepreneurial failure. Conversely, for whatever reason, successful entrepreneurial behavior is almost always built on solid, and often unique, market information. Some of that information may be intuitive, but it is, nonetheless, market information that is superior to that held by others. When this superior information is combined with other information and acted upon, it then leads to a high probability of entrepreneurial success.

Concepts

The concepts, tools and infrastructure of marketing are brought to bear on a market opportunity by entrepreneurial behavior. In Figure 3, are shown the major concepts that are necessary to both plan for, acquire and process the information critical for entrepreneurial success. While information is the key, critical variable, it is these concepts that guide successful information usage. However, it is also necessary to incorporate the specific marketing tools used to implement information strategies. Discussion of these tools will follow after a brief discussion of five concepts.

FIGURE 3

IMPORTANT INTERFACE CONCEPTS

- Marketing Concept
- Market Segmentation
- Time, Place & Possession Utility
- Product Life Cycle
- Strategic Planning

The first major concept is what has long been identified as the "marketing concept." While there have been critics of the marketing concept, there is no escaping the absolute necessity of understanding the needs, problems, in fact, the entire range of issues affecting the market reaction to the particular product and/or service introduced by entrepreneurial behavior. In particular, the marketing concept suggests a thorough familiarity with the purchaser/user of ones product.²

²See Houston (1986) for a discussion of the marketing concept.

The second concept is that of market segmentation. This concept is closely related to the marketing concept in that it directs entrepreneurial behavior towards specific, identified groups of purchaser/users. From this concept, the insights and tools are available to recognize the specific degree of homogeneity or heterogeneity in a particular market. Furthermore, from this concept, come the recognition that segments evolve over the life of the product and may be different for innovations at different stages of development.³

The third concept is the creation of time, place and possession utility. All marketing activity is ultimately directed toward getting the product and its associated attributes in the hands of the intended purchaser/user at the correct time and place. This approach to the creation of utility has direct implications for price, promotion and distribution as well as the attributes added to the product itself.

The fourth concept is the product life cycle. The underlying logic of the product life cycle is that products have a limited life, their sales history follows an S curve and that consequently, the various marketing tools have varying elasticities throughout the life of the product. (See Day 1986 and Gardner 1987 for extensive discussion of this concept.)

Certainly common to both entrepreneurial behavior and marketing is the concept of strategic planning. While strategic planning is a broad concept, that part dealing specifically with anticipating the

³For discussion and review of the concept of segmentation, see Bonoma and Shapario (1983) and Beane and Ennis (1987).

growth of demand and competition is of critical importance to achieving sustained market success that originates with innovation.

While there are undoubtedly other concepts that could be included here, the exact specification is not as important as the realization that there are concepts that define the entrepreneurship/marketing interface. For these to be valid concepts, they must truly be consistent with entrepreneurial behavior in its role of taking innovation successfully to market as well as marketing thought and practice.

Tools

Tools by themselves have only limited usefulness. For the best results, tools need to be used correctly and in a manner consistent with some overall objective. Concepts provide the guidance needed to decide not only what tools to use, but when to use them and at what time in the life of a product or service.

It would be inappropriate to discuss the exact tools that are consistent with the entrepreneurship/marketing interface. The task would be well beyond the scope of this paper. However, it is appropriate to mention that tools developed in support of market research, product design, pricing and promotion are particularly relevant to taking innovation successfully to market. In addition, the many tools developed over the years in support of marketing management such as sales management and location analysis. Likewise, the various behavioral and quantitative tools that have become so valuable are also appropriate.

Infrastructure

While not all products and services introduced by entrepreneurial behavior would be characterized by the market structure of emerging industries, a large majority are so characterized. Consequently, it is important to note Michael Porter's (1980) observation that for this type of industry, there is often an absence of infrastructure. The result not only creates further entrepreneurial opportunities, but also potentially serious limitations if not properly understood and/or dealt with appropriately. Admittedly, the issue is complex. For as Casson (1982, p. 17) states:

The fact that the entrepreneur has often to create an institution to make markets between himself and other transactors extends the range of issues about which the entrepreneur has to make judgments.

It is often the case that channels of distribution need to be created or existing channels substantially modified to properly match the offering of entrepreneurial behavior and the market. Likewise, new support services may be needed as well as need research services, new installation and maintenance services, etc.

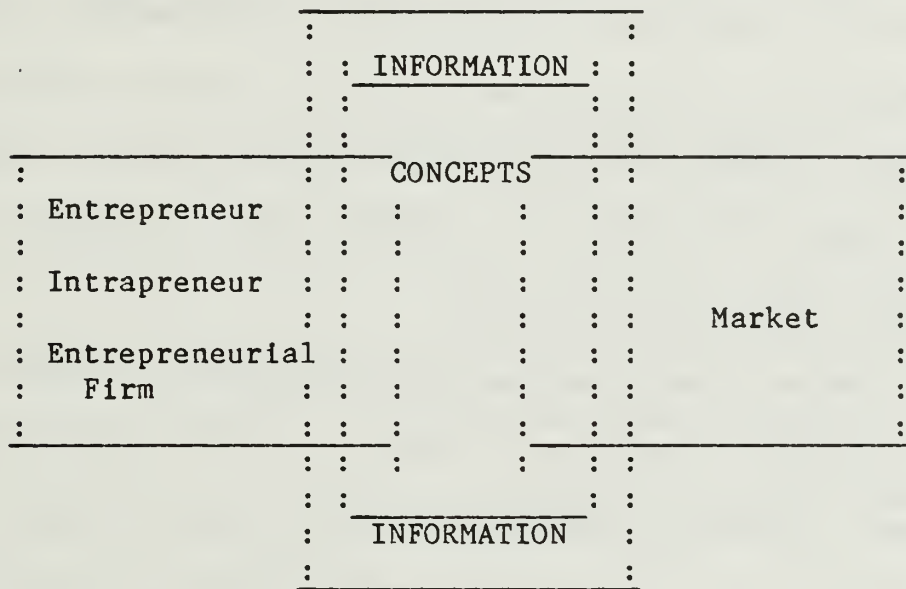
THE PARADIGM

A proposed entrepreneurship/marketing interface paradigm is shown in Figure 4. This is not a flow chart. Rather it is designed to show that the interface of entrepreneurial behavior and marketing is that area where innovation is brought to market. It is furthermore designed to show that information is the single most important variable within the interface. Also, within the interface, several

concepts that are common to both entrepreneurial behavior and marketing are noted, especially in the context of bringing innovation successfully to market.

FIGURE 4

ENTREPRENEURIAL BEHAVIOR/MARKETING INTERFACE PARADIGM



IMPLICATIONS

For Entrepreneurial Behavior

The clear implication of this proposed interface, is that successful entrepreneurial behavior must incorporate a wide range of marketing concepts. These concepts are centered around the principle of information that links this behavior with the market. To the extent that these concepts are ignored or violated, the probability of unsuccessful innovation rises. To ignore these concepts and move directly to tools, puts entrepreneurial behavior at risk because

correct concepts are the guide to selection and deployment of the correct tools.

For Marketing

Marketing's role in innovation, then, is to, provide the concepts, tools and infrastructure to close the "gap" between innovation and market positioning to achieve sustainable competitive advantage. It is furthermore, marketing's responsibility to recognize differences between marketing of products and services in maturity versus products for products in early stages of the product life cycle. Likewise, it is also incumbent on marketing to realize that in many cases, markets may not even exist for innovations.

And a further warning is that marketing must be careful not to become too focused on efficiency issues, but to understand effectiveness issues. Marketing thought and practice needs to adopt the stance of "what should be" versus the more narrow stance of improving today's performance.

For Markets

Opportunities arise for a variety of reasons. Some are primarily driven by an unfulfilled need, others are primarily driven by the discovery of a new or novel solution to an existing problem. Yet others are driven by new technology in search of an application. The key, however, must be information. Only then can proper positioning and strategy issues be addressed. Otherwise, in Aldersonian terms, "the market will not be cleared."

DYNAMICS OF THE INTERFACE

The message contained in this discussion of the interface between entrepreneurial behavior and marketing is deceptively simple. Yet, the popular press contains many references to those who have violated this simple message. Likewise, the files of venture capital organizations are also full of firms who ignored this simple message. The message is: that innovation must be matched with the market in all its dimensions.

However, a secondary, but also, imperative message, is that the interface is, and must be, dynamic. It is not static! Two factors account for the dynamic nature of this interface. The first is the obvious nature of the product life cycle and the entrepreneurial response to those changes. As innovation proves successful, it attracts imitation, competition, all accompanied by the demands of growth and further opportunity.

The second factor is the very turbulence of the market itself. Drucker (1968) argues that we live in the age of discontinuity. Ansoff (1984) similarly argues that the level of turbulence faced by most firms is increasing. And as turbulence increases (often caused by entrepreneurial behavior) the familiarity of events becomes more novel and discontinuous, with weak signals and the response time of the organization is often slower than changes in the environment (Ansoff 1984, p. 12).

The key to dealing with the dynamics of this interface are to understand the critical factors for success at each and every stage of the life cycle of the innovation and to acquire the flexibility and

capability to be able to anticipate and evolve in the often rapidly changing environment. The critical success factors that are at the interface of entrepreneurship and marketing will be related, in some way, to the concepts listed in Figure 3.

A WARNING

This exploration of the entrepreneurial behavior/marketing interface is not designed to explore the entire range of entrepreneurial issues. It is only designed to explore the important, but somewhat narrow, range of issues where entrepreneurial behavior and marketing share common ground.

TOWARD A THEORY OF NEW PRODUCT INTRODUCTION AND GROWTH

Much of what often passes for new product planning and marketing is really only "new" in a very limited sense. It uses accepted and stable technology, does not require customers to change usage habits or perceptions and existing markets are the target. In fact, many of the target markets are mature and the nature of the "new" products is very incremental. There is nothing wrong with new styles of cookies sold through super markets. There is nothing wrong with new flavors of toothpaste or even toothpaste with new therapeutic properties.

However, both sides of this interface offer much towards a new theory of new product introduction and growth. From entrepreneurial behavior comes the propensity to challenge the "accepted" understanding of the currently available information. And then, to move towards closing the gap given a set of unique information. From

marketing, comes the concepts and tools to implement the strategies to successfully take innovation to market. But, while entrepreneurial behavior needs to learn to address the issues of the market, marketing needs to develop concepts that allow it to better understand the early stages of the life cycle where most entrepreneurial behavior takes place.

REFERENCES

- Alderson, Wroe (1965), Dynamic Marketing Behavior, Homewood, IL: Richard D. Irwin, Inc.
- Ansoff, H. Igor (1984), Implanting Strategic Management, Englewood Cliffs, N.J.: Prentice-Hall, International.
- Bagozzi, Richard P. (1979), "Toward A Formal Theory of Marketing Exchanges," in Conceptual and Theoretical Developments in Marketing, O. C. Ferrell, Stephen W. Brown and Charles W. Lamb, eds., Chicago: American Marketing Association, 431-47.
- Beane, T. P. and D. M. Ennis (1987), "Market Segmentation: A Review," European Journal of Marketing, 21(5), 20-42.
- Bonoma, Thomas V. and Benson P. Shapiro (1983), Segmenting the Industrial Market, Lexington, Mass: Lexington Books.
- Burgelman, Robert A. and Leonard R. Sayles (1986), Inside Corporate Innovation: Strategy, Structure, and Managerial Skills, New York: The Free Press.
- Casson, Mark (1982), The Entrepreneur: An Economic Theory, Oxford: Martin Robertson & Company Ltd.
- Davis, William (1987), The Innovators: The Essential Guide to Business Thinkers, Achievers and Entrepreneurs, New York: American Management Association.
- Day, George S. (1986), Analysis for Strategic Market Decisions, St. Paul, MN: West Publishing Company.
- Drucker, Peter (1968), The Age of Discontinuity: Guidelines to Our Changing Society, New York: Harper and Row, Publishers.
- Drucker, Peter (1985), Innovation and Entrepreneurship: Practice and Principles, New York: Harper & Row, Publishers.
- Gardner, David M. (1987), "The Product Life Cycle: A Critical Look at the Literature," in Review of Marketing 1987, Michael J. Houston, ed., Chicago: American Marketing Association, 162-194.
- Houston, Franklin (1986), "The Marketing Concept: What It Is and What It Is Not," Journal of Marketing, 50 (April), 81-87.
- Naisbitt, John (1980), Megatrends: Ten New Directions Transforming Our Lives, New York: Warner Books, Inc.
- Robertson, Thomas S. (1967), "The Process of Innovation and the Diffusion of Innovation," Journal of Marketing, 31 (January), 14-19.

Robertson, Thomas S. (1971), Innovative Behavior and Communication,
New York: Holt, Rinehart & Winston.

Savitt, Ronald (1987), "Entrepreneurial Behavior and Marketing
Strategy," in Philosophical and Radical Thought in Marketing, A.
Fuat Firat, Nikhilesh Dholakia and Richard P. Bagozzi, eds.,
Lexington, Mass.: Lexington Books, 307-322.

UNIVERSITY OF ILLINOIS-URBANA



3 0112 060295927